

2017



ANNUAL REPORT

Mtech Digital Solutions Oy



We are a reliable and secure partner that understands our customers' operating areas and needs.

Mtech is a limited liability company owned by Finnish farmers' organizations.



111 professionals (98 person-work years)



EUR 11,05 M



EUR 0,07 M

Over 20,000 farm entrepreneurs
Over 50 companies and corporations

WHERE BIOECONOMY AND ICT EXPERTISE MEET

Mtech is a digital solutions provider specialised in the bioeconomy. Our operation is marked by our long-term experience as a partner of agricultural breeding and advisor organisations and as a provider of online services and ICT solutions for farmers.

For our customers, we are a long-term partner that provides added value through new solutions, software and services for the needs of various operators in the field. Our combination of know-how in the technology and business sectors enables our operation as an information technology pioneer that improves the competitiveness of the entire bioeconomy.

Our services play an important role in the food supply chain. We provide primary production for food supply chain operators as well as information systems, software and services tailored to meet the needs of corporations and public administration bodies that operate in the field.

Our customers include farm enterprises, food companies, advisor and breeding organisations as well as authorities. We operate at the juncture of the bioeconomy and digital technology. Our operations benefit, for example, the Finnish agriculture advisor and development organisation ProAgria, the livestock sales and service enterprise Faba, the food companies Valio, Atria and HKScan, the Animal Health ETT association, the cattle breeding company Viking Genetics, the Finnish Food Safety Authority Evira as well as the raw material company Honkajoki.

According to the research conducted by the market research company Taloustutkimus in 2016, our corporate customers consider Mtech a reputable, honest and credible collaboration partner that provides high-quality services to promote the competitiveness of the Finnish bioeconomy. We are a reliable and secure partner that understands our customers' operating areas and needs.

BOARD OF DIRECTORS AND CEO

Mtech Board of Directors

Chair *Tiina Mitikka*, Iitti
Vice-Chair *Merja Keisala*, Alavus
Juha Kantoniemi, Ähtäri
Antti Latva-Rasku, Helsinki
Juha Nuutila, Helsinki
Vesa Nuolioja, Oulu
Frans Westerlund, Nurmijärvi
Johan Åberg, Parainen



Tiina Mitikka



Merja Keisala

Owners

- Association of ProAgria Centres, 500 shares
- Faba co-op, 500 shares
- The Central Union of Agricultural Producers and Forest Owners (MTK), 100 shares

Total number of shares: 1,100

MTECH briefly

- established in 1986
- 111 employees at the end of 2017 (98 person-work years)
- turnover EUR 11.05 M in 2017
- a pioneer of ICT solutions in the bioeconomy field
- owned by agricultural advisor and breeding organisations and unions
- offices in Vantaa, Jyväskylä and Rovaniemi
- Microsoft Gold Certified Partner
- Strongest in Finland certificate granted by the corporate management data services company Asiakastieto
- Menestyjäyritys (Successful Company) certificate granted by the commerce-oriented newspaper Kauppalehti

Company management

- MA *Christian Jurvanen*, CEO
- M.Sc. *Jarkko Ilomäki*, Deputy CEO



Christian Jurvanen



Jarkko Ilomäki

FUNCTIONAL ICT SOLUTIONS FOR THE BIOECONOMY

SERVICES FOR COMPANIES



Digital services
Information systems and integrations
Mobile services
Project deliveries and turnkey solutions
Quality assurance and testing
IT infrastructure / cloud services

SOFTWARE



Cattle farming software
Sheep and goat farming software
Cultivation software
Economy software

REGISTER AND CUSTOMER SERVICES



Authorities' register and customer services
Dairy farm advisory register and customer service
Agriculture software support and advisory services
Bovine and porcine breeding register services



CEO'S REPORT

General report

As a consequence of Mtech's development as well as the field's economic situation, the year 2017 was rewarding yet challenging for the company. The economic difficulties in the field reflected on the company's operation and economy. Nevertheless, Mtech's turnover increased thanks to earlier years' investments in product and service development and in the internationalization of business operations.

From the business internationalization point of view, the year 2017 was a breakthrough. The customer base was extended to seven countries and grew by over 100% in terms of turnover. An extensive strategic partnership was concluded with Sweden's largest advisor organisation, Växa Sverige, in March 2018 on the basis of a letter of intent which was agreed upon at the end of the year. As part of the agreement, Mtech will deliver the MinunMaatilani.fi platform and software, which were launched in Finland in 2016, to Swedish cattle farms.

Interesting things happened in the Finnish market as well. The Biocode project, which focuses on the digitalisation of environmental impact calculations, and which is funded by the Rural Development Programme for Mainland Finland, led to establishing the cleantech company, Biocode Oy, in the autumn. Biocode Oy's share capital is owned by Mtech and the Association of ProAgria Centres. Mtech also started negotiations concerning the purchase of the Kauhajoki-based software company Neviso Oy's share capital at the end of the year. A trade agreement was signed in 2018 on the basis of the negotiations.



True agility means the renewal of operations models all the way from the processing of ideas to utilising the benefits of the realised solutions.

The development of the MinunMaatilani.fi platform and software was continued effectively. The renewal project of the new cultivation and fertilisation planning software MinunMaatilani.fi – Wisu became fully operational in 2017. Further investments will still be made in product development. According to information gained in December, the three-year EU project, AfarCloud (Aggregate Farming in the Cloud), has been approved. The project involves a collaboration of 14 countries and approximately 50 organisations which develops novel digital solutions to the needs of cattle farming and cultivation.

Mtech's internal know-how and operations models were developed a great deal. Comprehensive agile software development methods were implemented jointly with customers in connection with the KAA-SUA project. Principally, we no longer ought to talk about just agile software development. True agility means the renewal of operations models all the way from the processing of ideas to utilising the benefits of the realised solutions. In addition, the extensive

Master Data development project was realised during 2017. The project provided more depth to know-how and services in the fields of data resources, reporting and BI.

On the basis of customer feedback, Mtech has succeeded well in its principal tasks; 97% of corporate customers and 86% of end users are at least satisfied with the company's operations, and our customers are quite willing to recommend our products and services.

The Board of Directors and the company management are satisfied with the past year and especially on the personnel's performance. The personnel performed their duties with expertise and in a highly motivated manner.

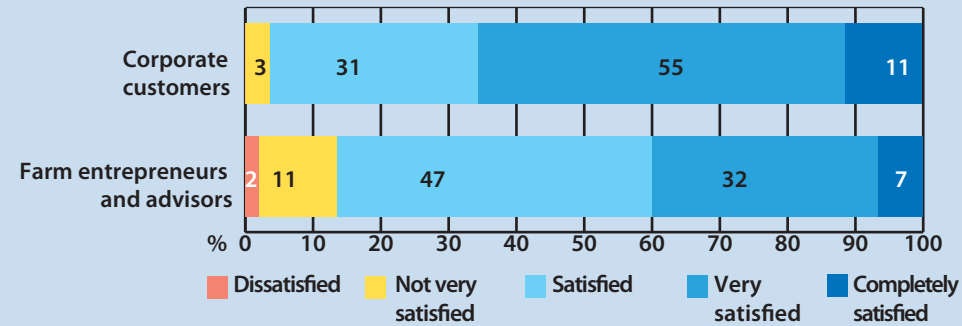
Christian Jurvanen

CEO



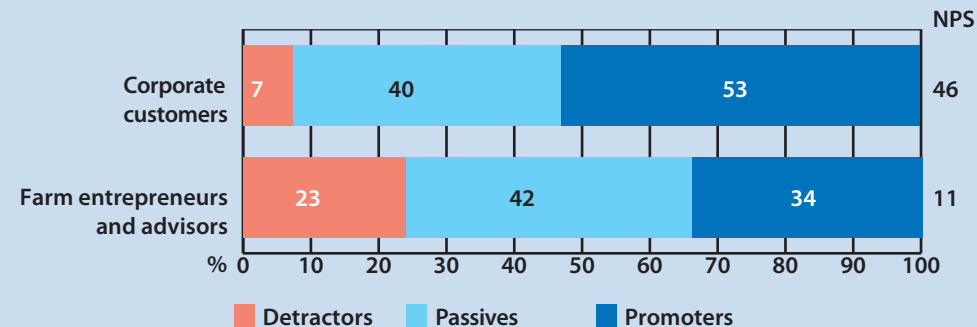
On the basis of customer feedback, 97% of corporate customers and 86% of end users are at least satisfied with the company's operations.

Overall satisfaction with Mtech in 2017



Source: Customer 360° Asiakastytyväisyyssyystukimus 2017, Taloustutkimus Oy.

Net Promoter Score (NPS) 2017



The Net Promoter Score (NPS) measures the customers' readiness to recommend a company on a scale from 0 to 10. The NPS is calculated by subtracting the number of detractors from the number of promoters. An NPS of 20 is good and 40 is excellent.

Source: Customer 360° Asiakastytyväisyyssyystukimus 2017, Taloustutkimus Oy.



Company's economy

In 2017, Mtech's turnover was EUR 11,058,636.27 which was an increase of 14,0% compared to the previous year (EUR 9,700,745.90). The profit was EUR -12,836.80 (previous year EUR 343,059.00), and the net profit was EUR 78,161.99 (previous year EUR 386,784.00). The company's turnover increased remarkably but exceptionally large investments to product and service development and various non-recurring additional costs caused the company to make losses. However, as a consequence of good financial income, the net profit was positive.

The company's balance sheet remained strong, and its liquidity remained excellent. The equity ratio was 69.4% (previous year 60.1%) and the equity was EUR 5,101,997.18 (previous year EUR 5,353,835.19).

In terms of person-work years, Mtech employed an average of 98 people, which indicates an increase of five persons in comparison to the previous year. The increased number of personnel was affected by the increased resource allocation required by the growth of turnover and investment in product development. This reflected as more extensive use of temporary labour and subcontracting.



The important themes of the coming year will include internationalisation, collaboration and extending the operations to new sectors through the new subsidiaries, Biocode Oy and Neviso Oy.

Prospects for the coming year

The year ahead looks good in terms of both economy and operation. The growth of turnover will continue, and the financial performance will improve even though product and service development will be effectively continued. With respect to economic and commercial development, the important themes of the coming year include internationalisation and collaboration with the Swedish organisation, Växa Sverige, the MinunMaatilani.fi platform and Business+ as well as extending the operations to new sectors through the new subsidiaries, Biocode Oy and Neviso Oy.

A major internationalisation breakthrough was achieved in early 2018 through the extensive collaboration and software project delivery agreement concluded with Växa Sverige. As a result of the agreement, the MinunMaatilani.fi platform will be delivered to Swedish cattle farms, and opportunities to collaboratively develop novel and innovative digital solutions for customers will be sought more extensively. Mtech's customer base has expanded such that at the start of 2018, the company had custom-

ers in all Scandinavian countries as well as in France, Estonia and Russia among other countries. According to the set objectives, international business activities will increase by 100% during the year and reach the milestone of one million euros.

The MinunMaatilani.fi platform, which was launched in 2016, has been a success. One of the themes of 2018 is to implement the same principle for finishing the renewed MinunMaatilani.fi – Wisu which is now under development and will replace the current Webwisu in the spring of 2019. Simultaneously, Mtech will invest remarkably in precision farming solutions product development which is supported by the aforementioned EU project, AfarCloud.

With respect to the development of internal operations, Mtech faces a fast-paced change. The company's working culture and management processes have to be developed due to the establishment of the subsidiary, Biocode Oy, in the autumn of 2017, the acquisition of Neviso Oy in the spring of 2018 and the establishment of a new office in Rovaniemi combined to the rapid growth of turnover and the increased number of personnel.

MTECH'S OPERATIONS EXTEND EFFECTIVELY IN THE NORDIC COUNTRIES

Mtech's internationalisation can be considered quite a success story. The development can be considered to have started in 2010 when Mtech realised its first international project, Nordic Classification, which is a mobile application for the structural assessment of dairy cattle. Danish Cattle and the Swedish company, Svensk Mjölk, participated in the project. The project had a part-time project manager and one software developer. Prior to this project, foreign trade was an unknown concept to Mtech.

In 2010, a small-scale collaboration with the Nordic company, Viking Genetics, one of the world's largest artificial insemination enterprises, was begun. The collaboration was based on realising a light data storage solution.





All of Mtech's operations have been based on fairness, perseverance and providing real added value to our customers.

All of Mtech's operations have been based on fairness, perseverance and providing real added value to our customers. We have assisted various organisations—from research organisations of a few people to international businesses that employ hundreds of people. We have worked for the common good uncompromisingly instead of focusing on individual sales; we have acted as the customer's partner and adapted to various practices, processes and working environments. The aforementioned Nordic software for structural assessment is a fine example of our persevering work. It is currently used for both beef and dairy breeds in all of the Nordic countries as well as in Estonia and France.

We can proudly say that the work has paid off; in 2018 we agreed on a strategic partnership with Sweden's largest advisor organisation, Växa Sverige (previously known as Svensk Mjölk), and we will deliver a Swedish version of the MinunMaatilani software to the organisation. As regards Viking Genetics, we have provided all of the essential tools they use,

from lifespan management to breeding planning software. We have established operations in all of the Nordic countries and in parts of Europe.

External growth has required our organisation to grow internally as well. Our international operations are now managed by a team of 12 people and a separate business unit which has a realistic objective of reaching a turnover of one million euros in 2018.

We believe that you will hear of us in the future.



Minna Veljo



Jarkko Ilomäki

PERSONNEL

At the end of 2017, Mtech employed 111 (2016: 99) experts and the average career duration in the company was 9.2 years. At the end of the year, the average age of personnel was 41.8 years which is slightly higher than in the previous year. 44% of the personnel are women. The employee exit rate was less than four percent, and it included one retirement.

According to the annual job satisfaction survey, the personnel were satisfied with their work in 2017 continuing the trend of previous years. The company's active recreation committee organised several recreational events, and the personnel participated in them actively.



Several internal projects were realised in 2017. The most central projects had to do with the development of the incentive system, project activities and sales. The new version of the incentive model was finished on schedule in December 2017. Thus, it can piloted in 2018. With respect to project activities, the objectives were to develop them and make them more agile. The objective was reached by introducing the new KAASUA project model. The new project model was proof tested in Faba's stock management project, after which it was deployed by smaller teams. As regards sales, investments were

made in resource allocation by hiring two new sales managers and in products by turning new services into products.

Despite the rapid growth of the software industry and the diminished resources that resulted from it, we managed to increase the number of our personnel to meet the increased demand. This time, Mtech would like to thank the skilled initiators whose expertise and willingness to help have enabled us to initiate new competent and motivated experts.



INCOME STATEMENT

Mtech Digital Solutions Oy

EUR	1.1.–31.12.2017	1.1.–31.12.2016
TURNOVER	11 058 636,27	9 700 745,90
Other operating income	108 853,40	71 321,70
Raw materials and services		
Raw materials and consumables		
Purchases during the financial period	-167 087,95	-11 750,96
External services	-1 720 937,99	-1 065 349,63
Raw materials and consumables, total	-1 888 025,94	-1 077 100,59
Personnel expenses		
Wages and salaries	- 5 085 411,48	- 4 594 064,69
Social security expenses		
Pension expenses	- 978 515,24	- 858 427,01
Other social security expenses	- 203 635,87	- 232 209,27
Personnel expenses, total	- 6 267 562,59	- 5 684 700,97
Depreciation and reduction in value		
Depreciation according to plan	- 375 428,31	- 402 541,79
Depreciation and reduction in value, total	- 375 428,31	- 402 541,79

INCOME STATEMENT

Mtech Digital Solutions Oy

EUR	1.1.–31.12.2017	1.1.–31.12.2016
Other operating expenses	-2 649 309,63	-2 264 665,25
OPERATING PROFIT (LOSS)	-12 836,80	343 059,00
Financial income and expenses		
Income from other investments held as non-current assets	1 350,00	1 260,00
Other interest and financial income	114 155,25	48 722,33
Interest and other financial expenses	-11 194,90	-24 963,94
Reduction in value of investments held as non-current assets	5 150,00	97 542,26
Financial income and expenses, total	109 460,35	122 560,65
PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS	96 623,55	465 619,65
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	96 623,55	465 619,65
Income taxes	-18 461,56	-78 835,65
PROFIT (LOSS) FOR THE FINANCIAL PERIOD	78 161,99	386 784,00

BALANCE SHEET

Mtech Digital Solutions Oy

	EUR 31.12.2017	EUR 31.12.2016
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Development expenditure	0,00	1 111,39
Immaterial rights	821 565,91	953 875,64
Construction in progress	758 568,72	211 821,60
	1 580 134,63	1 166 808,63
Tangible assets		
Machinery and equipment	293 835,79	281 779,26
Other tangible assets	4 111,84	4 111,84
	297 947,63	285 891,10
Investments		
Participating interests	1 547 820,52	1 542 820,52
Other shares and participations	2 848,51	2 848,51
	1 550 669,03	1 545 669,03
NON-CURRENT ASSETS, TOTAL	3 428 751,29	2 998 368,76

BALANCE SHEET

Mtech Digital Solutions Oy

	EUR 31.12.2017	EUR 31.12.2016
CURRENT ASSETS		
Receivables		
Short-term receivables		
Sales receivables	2 008 283,10	830 040,64
Receivables from participating interest companies	23 521,98	1 827,76
Other receivables	1 818,37	1 818,37
Prepayments and accrued income	524 709,89	1 058 608,79
	2 558 333,34	1 892 295,56
Financial securities		
Other securities	2 482 918,93	2 822 973,42
Cash in hand and at banks	6 258,03	3 310,53
CURRENT ASSETS, TOTAL	5 047 510,30	4 718 579,51
ASSETS, TOTAL	8 476 261,59	7 716 948,27

BALANCE SHEET

Mtech Digital Solutions Oy

	EUR 31.12.2017	EUR 31.12.2016
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	185 006,72	185 006,72
Retained earnings (loss)	4 838 828,47	4 782 044,47
Profit (loss) for the financial period	78 161,99	386 784,00
Shareholders' equity, total	5 101 997,18	5 353 835,19
LIABILITIES		
Short-term liabilities		
Loans from financial institutions	683 875,07	261 521,31
Advances received	1 894,72	0,00
Trade creditors	781 451,64	513 135,37
Other liabilities	428 793,81	281 917,06
Accruals and deferred income	1 478 249,17	1 306 539,34
Short-term liabilities, total	3 374 264,41	2 363 113,08
EQUITY AND LIABILITIES, TOTAL	8 476 261,59	7 716 948,27

DIGITAL SOLUTIONS OF THE BIOECONOMY



CONTACT DETAILS
Mtech Digital Solutions Oy
Urheilutie 6, P.O. Box 25, FI-01301 VANTAA
tel. +358 20 747 2300
www.mtech.fi